

Message Text

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ACTION EB-07

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FM AMEMBASSY SEOUL

TO SECSTATE WASHDC PRIORITY 2378

USDOC WASHDC

AMEMBASSY TOKYO

C O N F I D E N T I A L SEOUL 6603

STATE PASS OPIC AND EXIMBANK

USDOC FOR MEPD

E.O. 11652: GDS

TAGS: ECEM ETRD EINV KS

SUBJECT: STATUS YOSU PETROCHEMICAL COMPLEX

REF: VICK (OPIC) TO CROWLEY MEMO, 8/6/75 (NOTAL)

SUMMARY: RECENT EMBASSY DISCUSSIONS WITH ROK GOVERNMENT AND INDUSTRIAL SOURCES CONCERNING SUBJECT PROJECT INDICATE THAT JAPANESE FINANCIAL SUPPORT FOR YOSU MAY BE EVAPORATING.
END SUMMARY.

1. JAPANESE FIRM MITSUI SIGNED AGREEMENT THIS MAY WITH ROKG FIRM HONAM ETHYLENE CO. PROMISING MITSUI AID IN PINNING DOWN DOLS 110 MILLION JAPANESE EXIM LOAN FOR YOSU PROJECT. ENGLISH EXPORT BANK HAS REPORTEDLY PROMISED DOLS 60 MILLION (INCLUDING COMMERCIAL LOAN FOR DOWN PAYMENT ON GOVERNMENT LOAN) CONTINGENT ON JAPANESE COMING THROUGH WITH THEIR PORTION. RELIABLE INDUSTRIAL SOURCES CLOSE TO PROJECT REPORT HONAM ETHYLENE CO. (ROKG FIRM SET UP TO OPERATE NAPHTHA CRACKER) HAS BEEN UNABLE TO ACQUIRE COMMERCIAL LOAN FOR FIFTEEN PERCENT DOWN PAYMENT JAPANESE EXIMBANK WOULD REQUIRE.

2. BLUE HOUSE SOURCE HAS INDICATED TO EMBASSY THAT TOP OFFICIALS OF YOSU PROJECT MEETING WITH JAPANESE MITI RE YOSU
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PROJECT DOWNSTREAM PLANTS WEEK OF AUGUST 18, RECEIVED "DIS-

COURAGING RESPONSE." MITI REPORTEDLY WANTS JAPANESE EXIMBANK TO FINANCE POHANG PROJECT WHICH IS SECOND ON LIST OF PROJECTS ROKG SENT TO GOJ, PRIOR TO YOSU PROJECTS WHICH ARE LISTED FIRST. BLUE HOUSE SOURCE INDICATES THAT MITI REP TOLD ROK EMBASSY IN TOKYO THAT JAPANESE EXIM SHOULD FINANCE POHANG PROJECT FIRST AND THEN USE REMAINING FUNDS FOR YOSU. AS JAPANESE EXIM REPORTEDLY HAS ONLY SEVERAL HUNDRED MILLION DOLS AVAILABLE FOR ROK PROJECTS (DOLS THREE TO FOUR HUNDRED MILLION) WHICH PRESUMABLY WOULD BE COMPLETELY EXPENDED ON POHANG PROJECT, BLUE HOUSE OFFICIAL FELT THIS WAS ANOTHER WAY OF SAYING NO MONEY FOR YOSU.

3. RELIABLE INDUSTRIAL SOURCE REPORTS THAT JAPANESE EXIMBANK NOT ONLY REFUSED TO CONSIDER DOWNSTREAM PLANTS, BUT ALSO SAID THEY WOULD NOT PROVIDE FUNDS FOR NAPTHA CRACKER WHICH MITSUI HAD PROMISED ROKG THEY WOULD DELIVER.

4. ONE POSSIBLE SOLUTION TO ROKG FINANCING PROBLEM RE YOSU MAY BE EARLY EXIM ACTION ON ROKG REQUEST FOR LOAN FUNDS FOR POHANG PROJECT. A BLUE HOUSE OFFICIAL FEELS EARLY U.S. PARTICIPATION IN POHANG WOULD INSURE AVAILABILITY OF JAPANESE EXIM FUNDS FOR YOSU. (IT SHOULD BE NOTED, AS BLUE HOUSE OFFICIAL COMMENTED, THE JAPANESE MAY STILL REFUSE TO PARTICIPATE IN YOSU, EVEN WHEN DEPRIVED OF THE EXCUSE THAT FUNDS ARE NOT AVAILABLE.)

5. FOR EXIMBANK: POHANG IS FIRST PRIORITY ON LIST ROKG PROVIDED EXIM. EMBASSY HAS INDICATED TO ROKG (BOTH EPB AND BLUE HOUSE) DESIRABILITY OF CLEARING DECK OF APPROVED BUT NOT COMPLETELY FINANCED EXIM PROJECTS SUCH AS SNU, SEVENTH FERTILIZER AND SSANGYONG, PRIOR TO ANY EXIM ACTION ON POHANG. EMBASSY HAS ALSO REMINDED ROKG THAT APPLICATION FOR POHANG HAS NOT YET BEEN SUBMITTED TO EXIM.

6. FOR EMBASSY TOKYO: APPRECIATE WHAT ADDITIONAL INFORMATION OR COMMENTS RE YOSU PROJECT OR BACKGROUND ON JAPANESE PARTICIPATION YOU MAY HAVE.

7. FOR USDOC/MEPD: ONE ALTERNATIVE ROKG MAY HAVE RE YOSU PROJECT IS TO BREAK PROJECT UP, I.E., OFFER
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PLANTS TO THOSE FIRMS INTERESTED IN ONLY ONE OR TWO PLANTS. EMBASSY HAS DISCUSSED THIS POSSIBILITY WITH LOCAL UNION CARBIDE REP. OTHER U.S. FIRMS MAY ALSO BE INTERESTED.

8. EMBASSY COMMENT: JAPANESE-ROK MINISTERIAL TALKS ARE SCHEDULED TO BE HELD IN SEOUL IN MID-SEPTEMBER AND UNDOUBTEDLY FINANCING YOSU PROJECTS WILL APPEACSON THE

AGENDA.
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